

REVIEW OF THE WEEK IN FINANCE

January Rise Checked and Securities Go Lower on Poor Steel Report.

MINIMUM ACTION ADDS TO DISQUIET

Industrial Recovery Still Far from Satisfactory—New Bond Issues—Easy Money.

January's well sustained rise in security prices was halted last week by announcement of the disappointing earnings of the Steel Corporation and the resulting omission of dividend on the common stock. The market was unsettled by the abrupt declines in Steel and prices generally broke. Sales, however, were not heavy, and some progress toward recovery followed. Whether or not confidence of the investing public has been severely shaken should be more clearly evident this month. At the end of Saturday's trading action issues averaged about 3 points under the high level of the month, but were more than 2 above the low. Bonds in the last few days were dealt in to only about half the volume of the week before, but here prices were fairly steady.

Stock Exchange authorities reduced the minimum on Steel, but it had not reached levels where it could be freely traded and uncertainty as to their course added to the disquiet. Whether minimum prices now serve any useful purpose is doubtful. In removing restrictions against delayed delivery the Stock Exchange has recognized that sudden overwhelming European liquidation here is no longer to be expected. The banks are now in such good position that they no longer fear for their collateral loans on movements likely to arise from domestic causes.

Depression in General Trade.

The action of the Steel Corporation's directors emphasized what has now been forgotten—that general business conditions in this country are as yet far from satisfactory. From Washington, where the theory has persisted that industry is governed by psychology, unduly optimistic estimates of the measures of the country's prosperity have been given out, and such unquestionable recovery as that in our export trade has received much prominence. In this federal authorities have been aided by the war-time efforts of many who feel that it is lacking in patriotism to recognize the true state of our affairs have fallen.

As a matter of fact, before the outbreak of war last summer general business throughout the nation was being carried on at a reduced scale. The attacks of federal authorities on great corporations and fear that they would be produced in an anti-trust legislation in Washington, joined with the adjustments compelled by changes in the tariff, checked initiative, and trade generally halted.

The effects of the war itself are still with us. In the West high prices for agricultural products have proved a great benefit, but even here buyers are cautious. In the South there has been little improvement, but this is from depression caused by cotton upsets that aggravated the magnitude of a disaster. All this is not to say that the upturn has not begun. The advance, however, is cautious, as it should be to meet what further shocks these troubled times may bring. Confidence that in supplying

Europe's needs we will profit during the continuance of war is justified, but there is no reason to shut our eyes to measures of business activities such as lowered bank clearings and gross earnings of the railroads and reduced production in industrial lines.

Progress in Steel Industry.

In the steel trade operations this month are on a larger scale. The Steel Corporation itself is running its works at a 50 per cent basis, where in December this was under 30, and more resumptions are to be expected. Rail orders are coming in gradually, construction and shipbuilding have increased their requirements and some business in semi-finished steel has come from Great Britain.

In passing the dividend on the common stock, the Steel Corporation's directors were primarily considering results of the three months just passed, and these were most disappointing. Contrary to expectations, December made no gain over the month preceding, and November was worse than generally supposed. The result was earnings of less than \$10,000,000, the poorest quarter in the company's existence. Surplus created by earnings of good years was heavily drawn on to pay the usual dividends on the preferred stock. It was felt that the directors did not feel that sound business judgment would allow them to do. They had already shown their sense of responsibility as guiding the greatest corporation in the country in deciding against a general reduction of wages. It may be supposed that the effect of their dividend action on the business sentiment throughout the country was well considered before the decision was finally reached.

New Long Term Financing.

How far financial conditions differ from those in trade appears from announcement of new bond offerings made last week. The Pennsylvania Railroad sold \$49,000,000 4½ per cent on an old mortgage to its bankers, and on the curb these sold at close to a 420 basis. The Erie is planning to sell some \$150,000,000 of bonds of its subsidiaries now pledged for note issues. Application has been made to raise the interest rate on these from 4 to 6 per cent. Illinois Central disposed of its \$100,000,000 of joint obligations of its Southern lines and half of this amount was immediately sold. Other roads are taking advantage of present conditions to obtain needed funds.

Firms in bonds and the sustained demand for desirable issues at this period of low money rates made it a favorable time for corporate borrowing. In selling bonds as well as stocks, it is important to catch the market. Just here is where the suggested federal law for government supervision of railroad security issues fails. If federal approval of new financing was all that would be required the proposed legislation would

not be so objectionable, though it would tax the Interstate Commerce Commission to keep up with applications of the roads under its control. In addition, however, the bill calls for notice of hearings for states through which the roads pass, and by the time the commission had heard all parties interested in the money market might be far different from those the issue was planned to meet.

Money rates here last week continued low, end of the month figures being practically without effect in the present abundance of loanable funds.

Call loans again were renewed 2½ per cent, and were made lower. Time

loans at the Stock Exchange collateral

were placed at from 2½ to 3½ per cent, according to maturity, and commercial paper was bought at 3½ to 4 per cent for best names.

Cleaning House members reported a

further gain in surplus on Saturday,

though the liquidation in securities and corporate financing proceeded at \$20,000,000 increase in less than a week.

At present, under new reserve requirements, the excess reserve stands at over \$144,000,000, with the flow of reserves from the interior still unchecked.

During the week foreign exchange rates were firmer on requirements actual and expected, arising from sale here of securities owned abroad. Demand sterling reached 48½, being relaxed before business had ended.

Credits here for foreign countries and in this market have prevented an over-supply of commercial bills resulting from heavy war orders. Our exports, however, are so great that exchange rates are still low. From the principal ports of this country, that handle 88 per cent of imports, and 85 of exports, preliminary figures for the first three weeks of the month show a favorable trade balance of over \$95,000,000. This would indicate an export excess for January of around \$150,000,000.

American securities were depressed in London as well as here. As these have been particularly active the rest of the market was unfavorably affected. Idle funds in London are becoming embarrassing. Discount rates were under 2½ per cent and the money markets deposits in the Bank of England continued heavy. Our reserves in the Bank reported a loss of some \$500,000 in gold and with deposit liabilities greater, the reserve fell off one-half of 1 per cent to 32.

\$34,500 in Dividends.

Fall River, Jan. 31.—The directors of the Sagamore Manufacturing Company have declared a quarterly dividend of 2½ per cent on a total capitalization of \$1,200,000 and the Stevens Manufacturing Company has declared 1½ per cent on a capital of \$700,000, making a total dividend disbursement of \$34,500 on a capital stock of \$1,900,000.

WEEKLY SUMMARY OF BOND SALES ON THE STOCK EXCHANGE

(Reprinted from Sunday's Tribune.)

The following table shows the sales, highest, lowest, final prices and net changes of all bonds traded in on the New York Stock Exchange for the week ended Saturday, January 30. Also the highest and lowest prices for the years 1914 and 1915.

Total sales for the week, \$15,800,000, against \$12,611,000 a week ago and \$25,791,000 a year ago. Total sales from January 1 to date \$57,185,000, against \$87,771,000 in 1914.

GOVERNMENT AND MUNICIPAL.

1. U.S. 2½ per cent, 1912, 1913, 1914, 1915, 1916, 1917, 1918, 1919, 1920, 1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, 1930, 1931, 1932, 1933, 1934, 1935, 1936, 1937, 1938, 1939, 1940, 1941, 1942, 1943, 1944, 1945, 1946, 1947, 1948, 1949, 1950, 1951, 1952, 1953, 1954, 1955, 1956, 1957, 1958, 1959, 1960, 1961, 1962, 1963, 1964, 1965, 1966, 1967, 1968, 1969, 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 1900, 1901, 1902, 1903, 1904, 1905, 1906, 1907, 1908, 1909, 1910, 1911, 1912, 1913, 1914, 1915, 1916, 1917, 1918, 1919, 1920, 1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, 1930, 1931, 1932, 1933, 1934, 1935, 1936, 1937, 1938, 1939, 1940, 1941, 1942, 1943, 1944, 1945, 1946, 1947, 1948, 1949, 1950, 1951, 1952, 1953, 1954, 1955, 1956, 1957, 1958, 1959, 1960, 1961, 1962, 1963, 1964, 1965, 1966, 1967, 1968, 1969, 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 1900, 1901, 1902, 1903, 1904, 1905, 1906, 1907, 1908, 1909, 1910, 1911, 1912, 1913, 1914, 1915, 1916, 1917, 1918, 1919, 1920, 1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, 1930, 1931, 1932, 1933, 1934, 1935, 1936, 1937, 1938, 1939, 1940, 1941, 1942, 1943, 1944, 1945, 1946, 1947, 1948, 1949, 1950, 1951, 1952, 1953, 1954, 1955, 1956, 1957, 1958, 1959, 1960, 1961, 1962, 1963, 1964, 1965, 1966, 1967, 1968, 1969, 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 1900, 1901, 1902, 1903, 1904, 1905, 1906, 1907, 1908, 1909, 1910, 1911, 1912, 1913, 1914, 1915, 1916, 1917, 1918, 1919, 1920, 1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, 1930, 1931, 1932, 1933, 1934, 1935, 1936, 1937, 1938, 1939, 1940, 1941, 1942, 1943, 1944, 1945, 1946, 1947, 1948, 1949, 1950, 1951, 1952, 1953, 1954, 1955, 1956, 1957, 1958, 1959, 1960, 1961, 1962, 1963, 1964, 1965, 1966, 1967, 1968, 1969, 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 1900, 1901, 1902, 1903, 1904, 1905, 1906, 1907, 1908, 1909, 1910, 1911, 1912, 1913, 1914, 1915, 1916, 1917, 1918, 1919, 1920, 1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, 1930, 1931, 1932, 1933, 1934, 1935, 1936, 1937, 1938, 1939, 1940, 1941, 1942, 1943, 1944, 1945, 1946, 1947, 1948, 1949, 1950, 1951, 1952, 1953, 1954, 1955, 1956, 1957, 1958, 1959, 1960, 1961, 1962, 1963, 1964, 1965, 1966, 1967, 1968, 1969, 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 1900, 1901, 1902, 1903, 1904, 1905, 1906, 1907, 1908, 1909, 1910, 1911, 1912, 1913, 1914, 1915, 1916, 1917, 1918, 1919, 1920, 1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, 1930, 1931, 1932, 1933, 1934, 1935, 1936, 1937, 1938, 1939, 1940, 1941, 1942, 1943, 1944, 1945, 1946, 1947, 1948, 1949, 1950, 1951, 1952, 1953, 1954, 1955, 1956, 1957, 1958, 1959, 1960, 1961, 1962, 1963, 1964, 1965, 1966, 1967, 1968, 1969, 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 1900, 1901, 1902, 1903, 1904, 1905, 1906, 1907, 1908, 1909, 1910, 1911, 1912, 1913, 1914, 1915, 1916, 1917, 1918, 1919, 1920, 1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, 1930, 1931, 1932, 1933, 1934, 1935, 1936, 1937, 1938, 1939, 1940, 1941, 1942, 1943, 1944, 1945, 1946, 1947, 1948, 1949, 1950, 1951, 1952, 1953, 1954, 1955, 1956, 1957, 1958, 1959, 1960, 1961, 1962, 1963, 1964, 1965, 1966, 1967, 1968, 1969, 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 1900, 1901, 1902, 1903, 1904, 1905, 1906, 1907, 1908, 1909, 1910, 1911, 1912, 1913, 1914, 1915, 1916, 1917, 1918, 1919, 1920, 1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, 1930, 1931, 1932, 1933, 1934, 1935, 1936, 1937, 1938, 1939, 1940, 1941, 1942, 1943, 1944, 1945, 1946, 1947, 1948, 1949, 1950, 1951, 1952, 1953, 1954, 1955, 1956, 1957, 1958, 1959, 1960, 1961, 1962, 1963, 1964, 1965, 1966, 1967, 1968,